

# MARIN COMMUNITY COLLEGE DISTRICT

Audit Report

## COLLECTIVE BARGAINING PROGRAM

Chapter 961, Statutes of 1975,  
and Chapter 1213, Statutes of 1991

*July 1, 2002, through June 30, 2005*



JOHN CHIANG  
California State Controller

February 2009



**JOHN CHIANG**  
**California State Controller**

February 11, 2009

The Honorable Carole Hayashino  
President, Board of Trustees  
Marin Community College District  
1800 Ignacio Boulevard  
Novato, CA 94949

Dear Ms. Hayashino:

The State Controller's Office audited the costs claimed by Marin Community College District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2002, through June 30, 2005.

The district claimed \$377,907 for the mandated program. Our audit disclosed that \$365,018 is allowable and \$12,889 is unallowable. The costs are unallowable because the district misstated salaries and benefits, claimed unallowable contract services costs, understated indirect costs, and understated base year costs. The unallowable costs include an adjustment for the amount of allowable costs that exceed claimed costs. The State paid the district \$165,043. Allowable costs claimed exceed the amount paid by \$199,975.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/sk

cc: Peggy Isozaki, Accounting Supervisor  
Marin Community College District  
Albert J. Harrison, Vice President  
College Operations  
Marin Community College District  
Kuldeep Kaur, Specialist  
Fiscal Planning and Administration  
California Community Colleges Chancellor's Office  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Marin Community College District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2002, through June 30, 2005.

The district claimed \$377,907 for the mandated program. Our audit disclosed that \$365,018 is allowable and \$12,889 is unallowable. The unallowable costs resulted because the district misstated salaries and benefits, claimed unallowable contract services costs, understated indirect costs, and understated base year costs. The unallowable costs include an adjustment for the amount of allowable costs that exceed claimed costs. The State paid the district \$165,043. Allowable costs claimed exceed the amount paid by \$199,975.

## Background

In 1975, the State enacted the Rodda Act (Chapter 961, Statutes of 1975), requiring the employer and employee to meet and negotiate, thereby creating a collective bargaining atmosphere for public school employers. The legislation created the Public Employment Relations Board to issue formal interpretations and rulings regarding collective bargaining under the Act. In addition, the legislation established organizational rights of employees and representational rights of employee organizations, and recognized exclusive representatives related to collective bargaining.

On July 17, 1978, the Board of Control (now the Commission on State Mandates [CSM]) determined that the Rodda Act imposed a state mandate upon school districts reimbursable under Government Code section 17561.

Chapter 1213, Statutes of 1991, added Government Code section 3547.5, requiring school districts to publicly disclose major provisions of a collective bargaining effort before the agreement becomes binding.

On August 20, 1998, CSM determined that this legislation also imposed a state mandate upon school districts reimbursable under Government Code section 17561. Costs of publicly disclosing major provisions of collective bargaining agreements that districts incurred after July 1, 1996, are allowable.

Claimants are allowed to claim increased costs. For claim components G1 through G3, increased costs represent the difference between the current-year Rodda Act activities and the base-year Winton Act activities (generally, fiscal year 1974-75), as adjusted by the Implicit Price Deflator. For components G4 through G7, increased costs represent actual costs incurred.

The seven components of the Collective Bargaining Program are as follows:

- G1–Determining bargaining units and exclusive representatives
- G2–Election of unit representatives
- G3–Costs of negotiations
- G4–Impasse proceedings
- G5–Collective bargaining agreement disclosure
- G6–Contract administration
- G7–Unfair labor practice costs

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on October 22, 1980, and last amended them on January 27, 2000. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Collective Bargaining Program for the period of July 1, 2002, through June 30, 2005.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Marin Community College District claimed \$377,907 for costs of the Collective Bargaining Program. Our audit disclosed that \$365,018 is allowable and \$12,889 is unallowable. The State paid the district \$165,043. The State will pay allowable costs claimed totaling \$199,975, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on July 9, 2008. Albert J. Harrison II, Vice President, College Operations, responded by letter dated July 21, 2008 (Attachment), agreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of Marin Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

February 11, 2009

# Schedule 1— Summary of Program Costs July 1, 2002, through June 30, 2005

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>				
Components G1 through G3:				
Salaries and benefits	\$ 44,756	\$ 46,808	\$ 2,052	Finding 1
Contracted services	49,086	48,843	(243)	Finding 2
Subtotals	93,842	95,651	1,809	
Less adjusted base-year direct costs	(3,541)	(3,619)	(78)	Finding 3
Increased direct costs, Components G1 through G3	90,301	92,032	1,731	
Components G4 through G7:				
Salaries and benefits	13,820	15,099	1,279	Finding 1
Contracted services	32,110	31,304	(806)	Finding 2
Increased direct costs, Components G4 through G7	45,930	46,403	473	
Total increased direct costs	136,231	138,435	2,204	
Indirect costs	28,896	27,050	(1,846)	Finding 4
Total direct and indirect costs	165,127	165,485	358	
Less costs not claimed <sup>2</sup>	(84)	—	84	
Less allowable costs that exceed costs claimed <sup>3</sup>	—	(442)	(442)	
Total program costs	<u>\$ 165,043</u>	165,043	<u>\$ —</u>	
Less amount paid by the State		(165,043)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Components G1 through G3:				
Salaries and benefits	\$ 41,126	\$ 49,255	\$ 8,129	Finding 1
Contracted services	54,935	54,935	—	
Subtotals	96,061	104,190	8,129	
Less adjusted base-year direct costs	—	(3,751)	(3,751)	Finding 3
Increased direct costs, Components G1 through G3	96,061	100,439	4,378	
Components G4 through G7:				
Salaries and benefits	10,059	805	(9,254)	Finding 1
Contracted services	14,458	1,018	(13,440)	Finding 2
Increased direct costs, Components G4 through G7	24,517	1,823	(22,694)	
Total increased direct costs	120,578	102,262	(18,316)	
Indirect costs	27,434	29,840	2,406	Finding 4
Total direct and indirect costs	148,012	132,102	(15,910)	
Less costs not claimed <sup>2</sup>	(3,021)	—	3,021	
Total program costs	<u>\$ 144,991</u>	132,102	<u>\$ (12,889)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 132,102</u>		



## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2004, through June 30, 2005</u>				
Components G1 through G3:				
Contracted services	\$ 56,891	\$ 56,891	\$ —	
Subtotals	56,891	56,891	—	
Less adjusted base-year direct costs	—	(3,916)	(3,916)	Finding 3
Increased direct costs, Components G1 through G3	56,891	52,975	(3,916)	
Components G4 through G7:				
Salaries and benefits	377	377	—	
Contracted services	10,463	7,831	(2,632)	Finding 2
Increased direct costs, Components G4 through G7	10,840	8,208	(2,632)	
Total increased direct costs	67,731	61,183	(6,548)	
Indirect costs	142	21,175	21,033	Finding 4
Total direct and indirect costs	67,873	82,358	14,485	
Less allowable costs that exceed costs claimed <sup>3</sup>	—	(14,485)	(14,485)	
Total program costs	<u>\$ 67,873</u>	67,873	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 67,873</u>		
<u>Summary: July 1, 2002, through June 30, 2005</u>				
Total increased direct costs	\$ 324,540	\$ 301,880	\$ (22,660)	
Indirect costs	56,472	78,065	21,593	
Total direct and indirect costs	381,012	379,945	(1,067)	
Less costs not claimed <sup>2</sup>	(3,105)	—	3,105	
Less allowable costs that exceed costs claimed <sup>3</sup>	—	(14,927)	(14,927)	
Total program costs	<u>\$ 377,907</u>	365,018	<u>\$ (12,889)</u>	
Less amount paid by the State		(165,043)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 199,975</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Costs not claimed represent the amount reported in the filed claim detail schedules that was not certified by the claimant in the FAM-27 Certification of Claim form.

<sup>3</sup> Government Code section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2002-03 through FY 2004-05.

# Findings and Recommendations

## FINDING 1— Understated salaries and benefits

The district understated salaries and benefits by \$2,206 for the audit period. We made the audit adjustment based on the following issues:

- The district claimed \$3,686 in ineligible costs for activities unrelated to collective bargaining.
- The district did not support \$13,873 in claimed salaries and benefits for FY 2003-04. The district claimed hours that were not traceable to source documents that validate employee hours charged, such as individual activity log sheets, meeting sign-in sheets, and/or time records.
- The district understated the productive hourly rate for FY 2002-03 by \$5,917 because it did not use the employee's correct annual gross salary to compute the rate.
- The district understated the productive hourly rate for FY 2003-04 by \$8,015 because the district did not compute the rate based on the employee's correct annual gross salary.
- The district understated employee salaries and benefits by \$5,833 due to mathematical errors.

The following table summarizes the misstated salaries and benefits costs:

	Fiscal Year		
	2002-03	2003-04	Total
<u>Salaries and Benefits</u>			
Component activities G1-G3:			
Ineligible costs	\$ (3,151)	\$ —	\$ (3,151)
Unsupported costs	—	(3,822)	(3,822)
Understated productive hourly rate	4,481	6,523	11,004
Mathematical errors	722	5,428	6,150
Total, component activities G1-G3	2,052	8,129	10,181
Component activities G4-G7:			
Ineligible costs	(535)	—	(535)
Unsupported costs	—	(10,051)	(10,051)
Understated productive hourly rate	1,436	1,492	2,928
Mathematical errors	378	(695)	(317)
Total, component activities G4-G7	1,279	(9,254)	(7,975)
Audit adjustment—understated/(overstated)	\$ 3,331	\$ (1,125)	\$ 2,206

The program's parameters and guidelines require the claimant to show the classification of the employees involved, the amount of time spent, and their hourly rate.

The parameters and guidelines state that reimbursable functions include grievances and administration and enforcement of the contract.

The parameters and guidelines state that the claimant must support the level of costs claimed and that the claimant will only be reimbursed for the "increased costs" incurred as a result of compliance with the

mandate. Government Code section 17514 states that “costs mandated by the State” means any increased costs, which a school district is required to incur.

#### Recommendation

We recommend the district ensure that all claimed costs are supported by appropriate documentation and allowable under the program’s parameters and guidelines.

#### District’s Response

The district agreed with the audit finding.

### **FINDING 2— Unallowable contracted services costs**

The district claimed unallowable contracted services costs totaling \$17,121 for the audit period. The audit adjustment resulted from the following issues:

- The district claimed \$15,971 for grievance adjudication costs that were not collective-bargaining related.
- The district overstated attorney costs by \$1,163 because the district did not provide documentation to support costs.
- The district understated costs by \$13 because of mathematical errors.

The following table summarizes the contracted services audit adjustment:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
<u>Contracted Services</u>				
Unallowable costs:				
Components G1–G3	\$ (243)	\$ —	\$ —	\$ (243)
Components G4–G7	<u>(806)</u>	<u>(13,440)</u>	<u>(2,632)</u>	<u>(16,878)</u>
Audit adjustment	<u>\$ (1,049)</u>	<u>\$ (13,440)</u>	<u>\$ (2,632)</u>	<u>\$ (17,121)</u>

The parameters and guidelines state that the claimant must support the level of costs claimed and that the claimant will only be reimbursed for the “increased costs” incurred as a result of compliance with the mandate. Government Code section 17514 states that “costs mandated by the State” means any increased costs, which a school district is required to incur.

#### Recommendation

We recommend the district ensure that all claimed costs are eligible and adequately supported.

#### District’s Response

The district agreed with the audit finding.

**FINDING 3—  
Understated base year  
direct costs**

The district understated the Winton Act direct cost offsets by \$7,745 for the audit period; this resulted in an overstatement of claimed costs by the same amount.

The district claimed \$1,100 in base year costs for FY 2002-03. The district did not carry forward the base year costs for component activities G1, G2, and G3 (determination of representatives, elections and decertification elections, and negotiations, respectively) to FY 2003-04 and FY 2004-05.

The following table summarizes the unallowable direct costs:

	Fiscal Year			
	2002-03	2003-04	2004-05	Total
<u>Winton Act Base Year Costs</u>				
Base year, 1974-75	\$ 1,100	\$ 1,100	\$ 1,100	
Implicit Price Deflator	× (3.29)	× (3.41)	× (3.56)	
Audited Winton Act base year costs	(3,619)	(3,751)	(3,916)	\$ (11,286)
Claimed base year direct costs	3,541	—	—	3,541
Adjusted base year direct costs	\$ (78)	\$ (3,751)	\$ (3,916)	\$ (7,745)

The parameters and guidelines state that the determination of the “increased costs” for each of these three components requires the cost of the current year Rodda Act activities to be offset (reduced) by the cost of the base-year Winton Act activities. Winton Act base-year costs are adjusted by the Implicit Price Deflator prior to offset against the current year Rodda Act costs.

Recommendation

We recommend that the district ensure that all base-year costs are properly reported on the annual claim forms.

District’s Response

The district agreed with the audit finding.

**FINDING 4—  
Understated indirect  
costs**

The district understated indirect costs by \$21,593 for the audit period because it omitted indirect costs on contract services, overstated indirect costs on the remaining direct cost amounts, and made mathematical errors.

The district omitted indirect costs on contract services because it followed the claiming instructions, which instructed the district in error to deduct contract services prior to computing indirect costs.

The overstated indirect costs on the remaining direct cost amounts occurred because the district did not correctly compute its indirect cost rate using Form FAM-29C. We recomputed the indirect cost rates.

The parameters and guidelines state that districts may claim indirect costs in the manner described in the SCO's claiming instructions. The claiming instructions allow districts to compute an indirect cost rate using: (1) the SCO's FAM-29C methodology, (2) federally approved A-21, or (3) a flat 7% rate. The district computed its rates using the SCO's FAM-29C methodology.

The following table summarizes the understated indirect costs:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Total allowable increase				
direct costs	\$ 138,435	\$ 102,262	\$ 61,183	
Allowed indirect cost rate	× 19.54%	× 29.18%	× 34.61%	
Allowable indirect costs	27,050	29,840	21,175	\$ 78,065
Less claimed indirect costs	(28,896)	(27,434)	(142)	(56,472)
Audit adjustment-				
understated/(overstated)	\$ (1,846)	\$ 2,406	\$ 21,033	\$ 21,593

### Recommendation

We recommend that the district ensure that its indirect costs are correctly computed in accordance with the SCO's claiming instructions.

### District's Response

The district agreed with the audit finding.

**Attachment—  
District's Response to  
Draft Audit Report**

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July 21, 2008

Jim L. Spano, Chief  
Mandated Cost Audits Bureau  
Division of Audits  
California State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

RE: Collective Bargaining Program

**July 1, 2002, through June 30, 2005**

We appreciate the time your staff spent working on the collective bargaining audit. We would like to thank John Hill Cobbinah and Toni Cellini for meeting with us to review the audit findings.

Our only comment is on page 2 of the Audit Report. The last sentence states "The State will pay allowable costs claimed totaling \$132,102, contingent upon available appropriations." Based on our review of the audit report, and the Summary on page 1 of the Audit Report, we believe that the aforementioned sentence should read, "The State will pay allowable costs claimed totaling \$199,975, contingent upon available appropriations." Other than that, we concur with the audit findings.

If you have any questions or need additional information, please feel free to contact me at (415) 883-2211, extension 8100, or Peggy Isozaki at extension 8160.

Sincerely,



Albert J. Harrison II  
Vice President, College Operations

cc: Peggy Isozaki

**State Controller's Office  
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Sacramento, CA 94250-5874**

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